

**LG&E Energy Corp.**  
220 West Main Street (40202)  
P. O. Box 32010  
Louisville, Kentucky 40232

February 7, 2003

**VIA OVERNIGHT DELIVERY**

Hon. Joel H. Peck  
Clerk Virginia State Corporation Commission  
Document Control Center  
Tyler Building -- Second Floor  
1300 East Main Street  
Richmond, VA 23219

2003 FEB -7 P 12:12

DOCUMENT CONTROL

**RE: *Ex Parte: In the matter concerning the provision of default service to retail customers under the provisions of the Virginia electric Utility Restructuring Act***

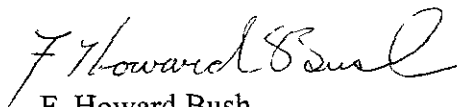
**Case No: PUE-2002-00645**

Dear Mr. Peck:

Filed herewith are an original and fifteen (15) copies of the Comments to Questions regarding Default Service to Retail Customers dated December 23, 2002, in the above referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

  
F. Howard Bush  
Manager, Regulatory Compliance

Enclosures

**COMMONWEALTH OF VIRGINIA**  
**STATE CORPORATION COMMISSION**

**At the relation of the**

**STATE CORPORATION COMMISSION**

<b>Ex Parte: In the matter concerning the provision</b>	)	
<b>Of default service to retail customers under the</b>	)	<b>CASE NO. PUE-2002-00645</b>
<b>Provisions of the Virginia Electric Utility</b>	)	
<b>Restructuring Act</b>	)	

**ORDER ESTABLISHING INVESTIGATION**

**DATED: DECEMBER 23, 2002**

**FILED: FEBRUARY 7, 2003**

**KENTUCKY UTILITIES COMPANY D/B/A  
OLD DOMINION POWER COMPANY**

**CASE NO. PUE-2002-00645**

**ORDER ESTABLISHING INVESTIGATION  
Dated December 23, 2002**

**Question No. SCC-1**

**Q-1. What should be the specific components of default service?**

**A-1. The specific componets of default service should include all services that the current incumbent electric utility provides to the customer that is open to compeition. i.e. billing, customer service, metering etc..**

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**Question No. SCC-2**

- Q-2. Whether, given the virtual absence of competition in Virginia's retail generation market, incumbent electric utilities should continue to provide default service at capped rates at the present time; if so, what changes in statute, policy, infrastructure, market conditions, and/or other circumstances are necessary to allow for the practical provision of default service by an entity other than the incumbent?
- A-2. Competition is the only practical provision for a competitive default service provider. If competition evolves in Virginia and changes the scope of the market conditions, then capped rates should be eliminated.

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**Question No. SCC-3**

- Q-3. What should be the geographic scope of a default service provider's territory, i.e. statewide, incumbent utility service territory, regions served by specific regional transmission entities; divisions with an incumbent utility's service territory; major metropolitan and surrounding areas, etc.;
- A-3. The geographic scope of a default service provider should be the incumbent utility's service territory.

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**Question No. SCC-4**

- Q-4. Whether default service, as contemplated by § 56-585 of the Act, should be limited to unregulated services, i.e. is it necessary to designate distribution service as a default service;
- A-4. Yes. Any distribution service that is not open to competition is automatically a component of the default service provider.

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**Question No. SCC-5**

- Q-5. For generation-related default service, whether the separate components of generation service to retail customers (capacity or resource reservation, energy, transmission, and ancillary services) should be treated as separate default services or bundled into a single service;
- A-5. The separate componets of generaton service, provided to service retail customers, should be treated as a separate default services.

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**Question No. SCC-6**

- Q-6. For generation-related default service, whether the service should be delivered to the retail customer or to the incumbent utility;
- A-6. Assuming that this is referring to a billing item, then the retail customer should be responsible for the generation-related default service.



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**Question No. SCC-7**

- Q-7. Whether the language of the statute prohibits the provision of default service to an incumbent utility on behalf of a group of customers, i.e. could a third party provide service to an incumbent utility for indirect service to retail customers (service to satisfy load growth, specific localities, or to customer subgroups);
- A-7. We believe the language in the statute prohibits a third party from supplying service to the incumbent utility for a customer or customer subgroup. The third party would be the supplier.

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**Question No. SCC-8**

**Q-8. Whether the provision of default services should differ by customer class;**

**A-8. Yes.**

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**Question No. SCC-9**

Q-9. Whether different components of default service can be provided by different suppliers;

A-9. Yes.

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**Question No. SCC-10**

Q-10. Whether default service has the same meaning for different classes of customers, i.e., those who do not affirmatively select a supplier, those who are unable to obtain service from an alternative supplier, or those who have contracted with an alternative supplier who fails to perform;

A-10. There is a difference between customers whom have contracted with an alternative supplier and customers whom have not. The default service supplier may not have secured generation to reliably serve customers.

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**Question No. SCC-11**

Q-11. How should charges for default service be collected;

A-11. Charges for default service should be billed with wire charges associated with the incumbent utility.

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**Question No. SCC-12**

Q-12. Whether metering, billing and collecting services should be deemed components of default service; and

A-12. Yes, these services are open to retail competition according the Virginia Restructuring Act therefore they should be deemend componets of default service.

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**Question No. SCC-13**

Q-13. What implications would the alternative provision of default service have for the determination of wires charges?

A-13. There should be no alternative provisions for determination of wire charges because wire charges are not open to competition.